

No Financial Center Without Rule of Law

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The plans to make the Moscow stock market into a major international exchange and Moscow into a major international financial center are, unfortunately, one big pipe dream as long as the regime of President Vladimir Putin continues to trample over private property rights.

Foreign investors will not bring their money into a financial marketplace in significant amounts until they can be assured that their investments are protected by a strong rule of law and an independent judiciary. As Russian capital continues to flee the country, a natural question arises: If Russians don't trust their own country's financial markets, why should foreign investors?

The Russian government and its senior officials continue to delude themselves every day. The growth that has occurred in Russia in the past 10 years is not because of Putin. It is despite him. The absurd criminal trial of a deceased Sergei Magnitsky is a pathetic attempt to deceive Russians and cover up the corrupt activities of Kremlin officials. It is right out of the Soviet playbook, as is the Russian ban on adoptions of Russian orphans by U.S. citizens.

Despite populist statements by the government about efforts to improve the business climate, the Kremlin's control of the courts continues to be the law of the land. The cases of former Yukos CEO Mikhail Khodorkovsky and his colleagues Platon Lebedev, Vasily Aleksanyan, Svetlana Bakhmina and others awakened the world to Russian justice under Putin. Magnitsky and the corruption exhibited by the Russian administration in everything associated with that case are indicative of complete lack of a rule of law and a continuation of the obfuscation.

The state's expropriation of Yukos, which started 10 years ago, scared away both Russian and foreign capital investment and will continue to do so until Russia understands its grievous mistakes and makes necessary changes. Yet to this day, Russia and its state-controlled companies continue to have no regard for the rule of law and property rights.

Nobody should be fooled by the pomp surrounding the recent deal with BP. The Rosneft acquisition of TNK-BP is just another in a series of attempts to legitimize assets once held by Yukos that were illegally seized by the Russian government.

The Russian government has consolidated its almost unlimited powers inside Russia and ignores calls from the West to improve its human rights record and the rule of law. Moreover, it has started to apply offensive tactics, accusing the West of poor human rights records to deflect criticism away from itself and mislead Russian citizens. Is this the solid foundation for creating an international financial center?

The U.S. Magnitsky Act, which bars Russian officials accused of human rights violations from the entering the U.S., has a good chance of being adopted in similar forms in Britain, the Netherlands, Sweden and perhaps other European Union countries. The Magnitsky Act is not in any way anti-Russian. On the contrary, these measures impose sanctions against a group of corrupt politicians and officials accused of human rights violations who have little regard for their own law, the interests of Russian citizens or for the creation of an atmosphere that attracts substantial foreign investment — the very measures that are absolutely essential to create a robust and attractive financial center.

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The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

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